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DEPARTMENT FOR NEA/ARP ADN EB/IFD/ODF
TREASURY FOR DAS SAEED

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TAGS: [EFIN](#) [ECON](#) [PREL](#) [IZ](#) [AE](#)
SUBJECT: IRAQ COMPACT DEBT RELIEF - UAE VIEWS

REF: A. ABU DHABI 4238

[1](#)B. STATE 181094

Classified By: Ambassador Michel J. Sison for reasons 1.4 (b & d).

[1](#)1. (C) Summary: Senior UAEG leadership has consistently told us that, although they support the idea of debt relief for Iraq "in principle," the ultimate decision must be a GCC-wide one. The UAE has shown no interest in taking on a GCC leadership role in providing Iraq with debt relief. For its part, the GoI has not pushed the UAE on debt relief, which it currently is not being pressured to pay. On November 5, MFA A/US for International Cooperation reiterated that, in his view, the time was not right for providing Iraq with debt relief. End Summary.

[1](#)2. (C) On November 5, Econchief and polchief met with MFA A/US for International Cooperation Mohammed Abduljalil, head of the UAE's delegation to the October 31 Iraq Compact Preparatory Group meeting in Kuwait, to discuss debt relief for Iraq. Abduljalil strongly disagreed with the idea that the UAE should provide Iraq debt relief as part of its Iraq Compact commitment. He argued that it was not the "right time" to forgive debt as Iraq was a rich, but badly managed, country. He argued that Iraq first needed to deal with corruption and security problems as higher priorities, before dealing with debt relief. He noted, rhetorically, that the debt problem might affect the Iraqi government, but that it did not affect the Iraqi people, who suffered from a lack of security, medicines, etc. Econchief argued that debt diverted resources from other government expenditures, but Abduljalil remained unconvinced. Abduljalil expressed his view that prior UAE statements on debt relief did not constitute any commitment. (Comment: Abuljalil's remarks that the UAE has not committed to providing debt relief do not/not reflect the commitment made by senior UAE government officials -- including then Abu Dhabi Crown Prince, now President Sheikh Khalifa bin Zayed Al-Nahyan and Deputy Prime Minister Sheikh Hamdan bin Zayed Al-Nahyan -- to providing debt relief to Iraq, nor the UAE's publicly announced decision in 2004 to waive most of Iraq's debts. End Comment.)

[1](#)3. (C) As post reported ref a, the UAE, although committed at senior levels to debt relief "in principle," has maintained that the ultimate decision must be GCC-wide. Despite repeated approaches by the USG to senior UAEG officials, the UAE is unwilling to play a leadership role on this issue, probably because it holds less Iraqi debt than both Saudi Arabia and Kuwait. It has been apparent in previous approaches to the UAEG that this has not been a major topic of discussion between the Iraqi government and the Emiratis. We have been assured on numerous occasions that the Iraqis are not making payments on their debt, which may account for the Iraqis focusing their debt reduction efforts elsewhere.

14. (C) Turning briefly to the Iraq Compact, Abduljalil said he thought the Kuwait meeting had been positive in providing an opportunity to keep the international community and the Iraqis engaged. He thought three issues were clearly apparent at the meeting. One, security must be improved. For the Iraqi people, security is as important as economic development, if not more so, he said. Two, the level of corruption in Iraq is very high and something that the Iraqi government urgently needs to address. Iraq, he said, could be a rich country if it could deal with corruption, which was also preventing tangible benefits from reaching the people. Three, the international community and/or the Iraqi government needed a mechanism to supervise projects to ensure that benefits reached the Iraqis and funds were not diverted. He argued that the Iraq Compact participants didn't need to discuss new plans and reforms, but needed to focus on practical steps to provide tangible benefits to the Iraqi people. The benefits, he argued, needed to go to the "normal people, not the elites."

15. (C) Comment: Post believes that the UAE would join a GCC consensus on the debt issue, but the UAE has repeatedly demurred on taking a leadership role. An approach by senior Iraqi officials (probably to include PM Maliki and DPM Salah), followed by a senior USG approach could however, stress the importance of this issue. As part of a coordinated approach to the other key debt holders in the GCC, it might help move the process forward. The Iraqis, however, would need to balance their need for debt relief with their interest in receiving further assistance. In the case of the UAE, Baghdad appears to be focusing on new sources of assistance rather than forgiveness of debt which, so far, they are not under pressure to repay. End Comment
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